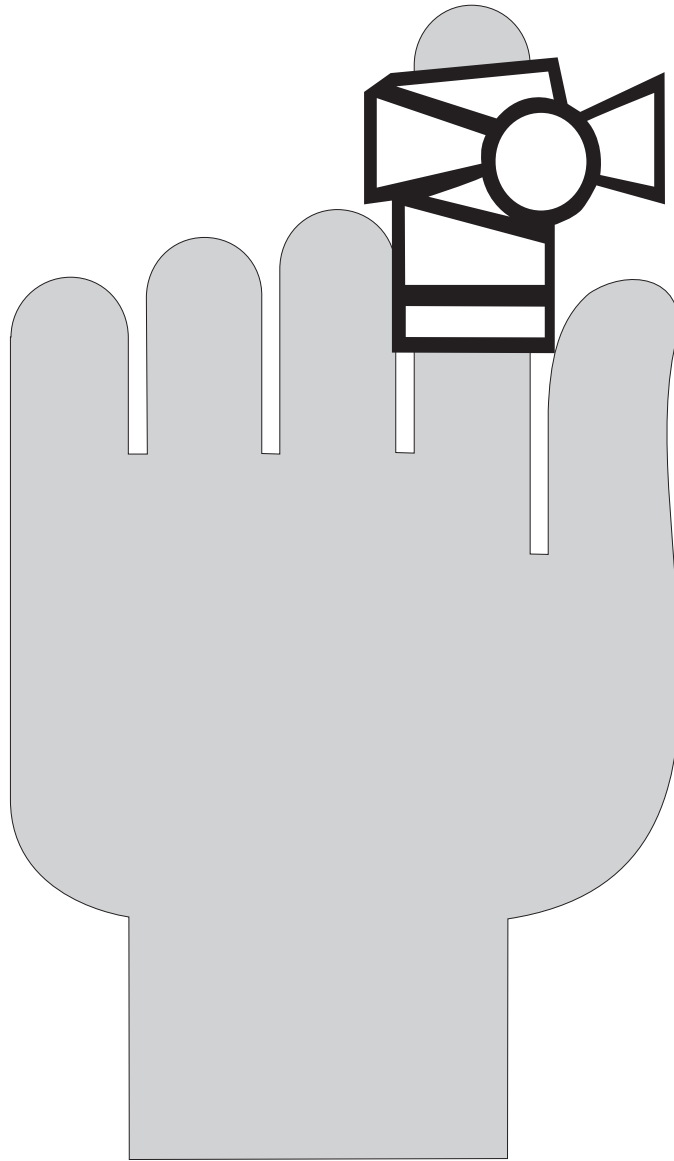


CURES



CURE POLICIES FOR DUE DILIGENCE VIOLATIONS

Note: The following policies apply to loans that default at the 180th day of delinquency.

Since the penalty and cure requirements differ according to the severity of the violation, the following provides a description of each level of violation and lists the penalties and cure procedures that apply to each.

Level I

No due diligence violation of six days or more each (21 days or more for a transfer).

Penalty: None.

Cure: None required. The claim should be filed as usual. The violation is excused.

Level II

One or two violations of six days or more each (21 days or more for a transfer), and no gap of 46 days or more (61 days or more for a transfer), and the lender completes all required activities prior to the 270th day of delinquency and submits a Preclaims Assistance (PCA) Request before the 240th day of delinquency.

Penalty: Interest paid on the claim as well as the lender's eligibility to receive interest benefits and special allowance will be limited to amounts accruing through the date of default (180th day of delinquency).

Cure: None required. The claim should be filed as usual but the interest end date must be the date of default.

Level III

One or two violations of six days or more each (21 days or more for a transfer), and no gap of 46 days or more (61 days or more for a transfer), and the lender completes all other required activities but one before the 270th day of delinquency and submits a PCA prior to the 240th day.

Penalty: Accrued interest, interest benefits, and special allowance otherwise payable will be limited to amounts accruing through the 90th day before default.

Cure: None required. The claim should be filed as usual, but the interest end date must be 90 days prior to the date of default.

Level IV

One or two violations of six days or more each (21 days or more for a transfer), and no gap of 46 days or more (61 days or more for a transfer), and the lender completes all required activities prior to the 270th day of delinquency but fails to submit a PCA by the 240th day.

Penalty: Accrued interest, interest benefits, and special allowance otherwise payable will be limited to amounts accruing through the 180th day before default.

Cure: None required. The claim should be filed as usual, but the interest end date must be 180 days prior to the date of default.

Level V

Three violations of six days or more each (21 days or more for a transfer), and no gap of 46 days or more (61 days or more for a transfer).

Penalty: The lender is ineligible to receive any interest benefits and special allowance for the period beginning with the lender's earliest unexcused violation and ending with the date, if any, of the lender's receipt of a new signed repayment schedule or a full payment. If a claim is submitted on the loan, interest accruing during that time period will not be paid.

Cure: The lender may use any one of three procedures listed below.

- (a) After the violations occur, the lender obtains a new repayment schedule signed by the borrower. The repayment agreement must comply with the ten-year repayment limitations required by federal regulations.
- (b) After the violations occur, the lender obtains one full payment. (Definition on page 199) If the borrower later defaults, the lender must include evidence of this payment (e.g., a copy of the check) in the claim file. OR
- (c) After the violations occur, the lender locates the borrower and performs collection activities at the required time intervals.

Level VI

Four or more violations of six days or more each (21 days or more for a transfer) of any type, or a gap of 46 days or more (61 days or more for a transfer) and at least one violation.

Penalty: The lender may not receive any interest benefits and special allowance for the period beginning with the lender's earliest unexcused violation and ending with the date, if any, of completion of the cure procedure. If a claim is later submitted, interest accruing during that time period will not be paid.

Cure: The lender may follow either of the procedures listed below.

- (a) After the violations occur, the lender obtains a new repayment schedule signed by the borrower. The repayment must comply with the ten-year repayment limitations required by federal regulations; or
- (b) After the violations occur, the lender obtains one full payment. If the borrower later defaults, the lender must include evidence of this payment (e.g., a copy of the check) in the claim file.

Future claims for loans which were rejected and had the guarantee subsequently reinstated through proper cure procedures will not be honored without evidence of the proper cure procedures in the claim file.

If the lender is aware that an unfiled claim will be rejected due to a timely filing or due diligence violation, the lender should initiate and complete cure procedures. The lender must clearly document the date when cure procedures began and the steps that were taken to cure the violations. If a claim is subsequently filed, the documentation must be included in the claim file.

Lenders may receive interest and special allowance only on loans which are guaranteed. Since some due diligence or timely filing violations result in the termination of the guarantee, the lender's right to receive insurance benefits may also be terminated. For any claim involving cured violations of timely filing or due diligence, the Missouri Student Loan Program will not reimburse the lender for any unpaid interest accruing from the date of the earliest unexcused violation through the date of reinstatement of the cure.

LOCATION CURE

To cure a timely filing violation, the lender must locate the borrower and place documentation in the file to include:

- ☒ A postal receipt signed by the borrower
- OR**
- ☒ A completed Missouri Student Loan Program (MSLP) Form-19, Certification of Borrower Location

The lender must then perform the following collection activities.

1-15 days from the location date	Send a new repayment schedule and a collection letter; allow 15 days for the borrower to respond. If the borrower responds, then bring the account current. (The loan is cured.)
1-5 days after the 15-day waiting period (if borrower doesn't respond)	Diligently attempt to contact the borrower by telephone.
5-10 days after completing previous efforts	Send a forceful collection letter. Entire unpaid balance is due.
1-30 days from final demand letter	File a claim with the MSLP.

INCURABLES

If a lender does not have a guarantee on a loan and receives notification of a death or permanent disability, then the loan is incurable and will not be paid as a claim.

In addition, when a borrower files bankruptcy and the court forgives the loan debt, if the lender did not have a guarantee prior to the Notice of First Meeting of Creditors, that loan is not curable and a claim will not be paid.

THREE-YEAR CURE LIMIT

For loans which lost reinsurance before July 1, 1996, the lender has three years, from July 1, 1996 through June 30, 1999, to cure the loan.

For loans that lost reinsurance on or after July 1, 1996, the three-year cure limit is applied as follows:

On claims that were filed: The lender has three years to cure the loan beginning on the day the Missouri Student Loan Program (MSLP) rejects the claim.

On claims that were NOT filed: the lender has three years to cure the loan beginning on the claim filing deadline.

THE GUARANTEE IS LOST WHEN ... ?

1. The loan is not put into repayment. A loan enters repayment:

Federal Stafford Loans - day after the grace period ends
Federal Supplemental Loans for Students (SLS) loans - date the last disbursement is made
Federal Parent Loans for Undergraduate Students (PLUS) loans - date the last disbursement is made.
2. Three or more due diligence activities are omitted.
3. A gap of more than 45 days (46 days or more) between due diligence activities occurs.

HOW CAN A LOSS OF GUARANTEE BE CURED?*

1. Receive one full payment. The \$5 payment tolerance permitted to advance a due date **does not apply to a curing payment.**
2. Obtain a signed repayment schedule which complies with the original ten-year maximum repayment period,

AND

capitalize or waive the interest that accrued during the loss of guarantee to the date of the cure to bring the borrower current.

However, the Missouri Student Loan Program (MSLP) will not purchase capitalized interest due to a lost guarantee.

DOCUMENT THE CURE IN THE FILE!

***NOTE:** These are methods that may cure loans which first became delinquent after March 10, 1987.

See page 200 for discussion of the three-year cure limit.

POINTS TO REMEMBER

- ❖ When curing with a new repayment schedule, make sure the borrower is still paying out within 10 years from the first payment due date at the time of the **original** conversion to repayment.
- ❖ When a lender obtains a payment or a signed repayment schedule as a cure, it must be documented by completing the reinstatement form (a copy follows).*
- ❖ From the time the lender lost the guarantee to the date of the cure (the date the lender receives the curing instrument), the lender is not eligible to receive any interest benefits or special allowance from the federal government. If the lender billed the U.S. Department of Education during the period of lost guarantee, adjustment must be made to the ED Form 799.

* If the reinstatement occurred at a time prior to the establishment of this form, the cure can be documented by other means.



Missouri Student Loan Program Statement of Guarantee Reinstatement

Borrower's name _____ SS# _____

Date guarantee was lost _____ Loan balance (at loss of guarantee) _____

METHOD OF CURE

- ☐ One full payment in the amount of \$ _____ received ____ / ____ / ____
- ☐ Check or money order (copy attached)
- ☐ Cash (signature below certifies that payment was not made by or on behalf of Lender or Servicing Agent)
- ☐ Signed repayment schedule received ____ / ____ / ____
(The repayment schedule must comply with a 10-year maximum repayment period beginning with the end of the grace period, and with the \$50.00/month minimum requirements.)
- ☐ Capitalized interest according to repayment schedule
- ☐ Capitalized \$ _____ in additional interest due to late return

ADJUSTMENT OF INELIGIBLE INTEREST AND SPECIAL ALLOWANCE

- ☐ Interest adjustment made on _____
Part III of ED Form 799
____ / ____ / ____
- ☐ Special allowance adjustment
made on Part IV of ED
Form 799 ____ / ____ / ____

Interest Rate (A)	Billing Code (B)	Interest Amount (E)		Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Adjustments (I)

The individual borrower adjustments must also be documented in the Interest and Special Allowance billing file.

- ☐ Did not bill since date guarantee was lost ____ / ____ / ____

CLAIM CERTIFICATION

I certify that the above information is correct and conforms to regulations of the Secretary of Education and policies of the Coordinating Board for Higher Education and I further agree that all documents, files, and other pertinent records shall be subject to audit by the above named regulatory agencies.

Signature

Title

Date

Institution

OE No.

.....
Lender: Retain the completed form in the borrower's loan file.